caused economic weakness in February, then a rebound should be expected in March and the months beyond. If imports were responsible for February's weakness, then the 0.6 hour reduction in the average manufacturing workweek during February should be followed by further declines in manufacturing payroll employment in March and beyond. The evidence almost certainly will show that weather, rather than import penetration, was the major factor slowing economic activity in February. As a result, the "flash" estimate understated economic expansion during the first quarter. If March rebounds as much as we anticipate, GNP in the first quarter will expand 3.6% after adjustment for inflation.

The second surprise in the "flash" estimate was the 5.4% increase in the GNP deflator. For reasons that we cannot fully fathom, our methodology cannot adequately capture the composition shifts that are included in the GNP deflator. Because of heavy utility utilization in January, both the nondurable and service deflators expanded sharply. This was the result of higher than normal use of fuel oil and more significant than normal use of natural gas and electricity. These components have unusually high inflation factors in comparison to the base year for the GNP deflator. Excluding these composition shifts, which almost certainly will be eliminated during the second quarter, the GNP deflator would have advanced 4.1%. Another 0.4 percentage points was added to the deflator as a result of a 4.0% wage increase for military personnel and a 3.5% increase for federal civilian workers during January. The military is scheduled for another 3.0% pay increase in June, but no other federal government pay changes are anticipated for the remainder of this year. For that reason, this increase in the deflator as a result of government salary increases also will not be present in other quarterly data. Indeed, the only area truly showing increasing inflationary pressures during the first quarter was construction. Further increases in construction prices are anticipated during the spring. In addition, because the official statistics were slow to pick up a change in gasoline prices, a sharp increase in energy prices will be reflected in second quarter GNP figures. Toward the end of the second quarter, however, energy prices are expected to moderate once again.

One unexpected potential inflationary factor is the weakness that developed in the dollar following problems in some Ohio thrifts and the subsequent announcement that economic activity was sluggish in the United States during the first quarter. We had anticipated that foreign investors would reduce their dollar position once growth rates in this country fell below those in other parts of the world. However, the weakness occurred earlier than anticipated because of the winter weather. As a rebound is now expected, it is likely that the dollar once again will regain strength, at least into the summer. If so, inflationary concerns from a weakening dollar can be postponed until early in 1986.

The credit markets have been unable to determine what is really happening to the economy. The stock market has decided that dollar weakness, at least up to a point, is favorable. On the other hand, dollar strength is unfavorable. This analysis has some merit, as a strong dollar reduces the ability of commodity producing industries in the United States to raise profit margins. Only a strong economy can be utilized to increase profitability. Of course, substantial dollar weakness would lead to an inflationary fallout that would raise interest rates and diminish the value of the profits being generated. Nevertheless, a little inflation is viewed as favorable for the equity markets, and this appears to be an appropriate assessment.

Credit markets are not sure what is happening. Explosive monetary growth during the first two months is partially viewed as a seasonal distortion.

Nevertheless, currency also began to grow rapidly in February, and the currency seasonals are not as deficient as those on checkable deposits. This rapid growth in monetary aggregates despite apparent weakness in the economy has created confusion in the credit markets. As mentioned above, sluggishness generated by import penetration or even by productivity-reducing weather disruptions, should not be cheered by the credit markets. Apparently, the Federal Reserve has been slightly concerned by the sluggish statistics and therefore has accommodated more rapid money demand than is consistent with stable inflationary targets. The Federal Reserve probably will become less tolerant of this accommodation when the spring rebound develops and when signs of modestly rising inflation increase as a result of the temporary reversal in energy price.

Quarterly Profile of GNP

	1984-4	1985-1	1985-2	1985-3	1985-4	1986-1
Real:	4.3	3.6	5.2	3.5	2.1	1.3
Price:	2.8	5.0	3.1	3.8	4.7	4.9
Nominal:	7.1	8.8	8.5	7.4	6.9	6.3

Monthly Statistical Highlights for March 1985

Payroll employment +263,000; index of hours worked +0.6%; household employment +312,000; civilian unemployment rate 7.3%; personal income +0.5%; savings rate 5.2%; personal consumption +0.6%; retail sales +0.8%; auto sales 10.7 million; housing starts +9.5%; housing permits -1.1%; construction expenditures +1.9%; business inventories +0.4%; orders for durable goods -0.7%; orders for nondefense capital goods -4.2%; industrial production +0.5%; CPI +0.5%; PPI +0.6%; consumption deflator +0.3%; leading indicators +0.4%; real GNP +6.6%; M1 +5.0%; M2 +8.7%.

Monthly Statistical Highlights for April 1985

Payroll employment +191,000; index of hours worked +0.2%; household employment +210,000; civilian unemployment rate 7.3%; personal income +0.4%; savings rate 4.9%; personal consumption +0.7%; retail sales +1.0%; auto sales 10.9 million; housing starts +4.1%; housing permits +5.3%; construction expenditures +1.9%; business inventories +0.5%; orders for durable goods +0.3%; orders for nondefense capital goods -1.8%; industrial production +0.1%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicators +0.4%; real GNP +5.1%; M1 +6.7%; M2 +8.8%.

COMMENTARY

Employment - A 75,000 plunge in manufacturing employment during February was largely attributed by some to imports. Also, the manufacturing workweek fell by a surprisingly strong 0.6 hours. However, 25,000 of that job loss was in automobile production. Although the intrusion of more Japanese cars will impact production later in the year, this 25,000 job loss along with a 2.3 hour reduction in the automobile sector appears to be related to the especially violent snow storm that arrived during the survey week. Certainly, the 50,000 job reduction in construction also can be attributed to weather rather than import competition. As a result, a significant rebound is expected both in the workweek and in employment during March. A key to weather conditions rather than

economic conditions causing the February dislocation can be found in household employment, where 294,000 additional respondents indicated they were employed. Such a discrepancy between the civilian and establishment surveys normally occurs when weather forces plants to close.

Also significant was the surprisingly rapid increase in hourly wages reported for the manufacturing and construction industries. If these industries were under economic stress, such an acceleration in hourly wages is unlikely. Rather, an imbalance between pay and hours worked during the survey week led to higher estimates of hourly earnings than otherwise would have developed. As a result, the hourly earnings index is expected to decline slightly in March.

Personal Income & Outlays - Although the upward movement in interest rates will add to property income during the spring, farm incomes are expected to continue falling until they reach the mid-teens about midyear. To a large extent, the sharp downward movement in personal savings is associated with this more than $20 billion drop in farm incomes. Traditionally, changes in those incomes are almost completely reflected in the level of savings. Thus far, tax liabilities have been growing above our estimates. This may be caused by the slowness in issuing refunds resulting from a new computer program at the IRS. If so, a significant decline in tax liability may occur in the April and May estimates. This would generate higher personal savings rates than are currently being projected.

In February, outlays conformed closely with retail sales estimates. Nondurables showed a healthy rebound as a result of significant expansion in general merchandise and apparel. Further increases in nondurables are expected in March as rising gasoline prices begin to influence this series. As expected, purchases of services slowed in February as the weather became more normal in terms of temperatures. It is possible that a further slowing in service expenditures will develop in March as spring weather materializes. After that, a more normal trend for service spending is anticipated.

Some confusion has been generated concerning the unit auto sales for February. The monthly seasonals are incompatible with the 10-day seasonals. Whether this is a problem associated with the unusual weather-induced variations created in February is not clear. Retail sales also becomes confusing in March and April as a result of a shifting Easter holiday. Thus, surprises in both months are possible as the Easter holiday must at least partially be arbitrarily adjusted for seasonal patterns.

Construction - The plunge in construction employment during February has been substantiated by the drop in housing starts. Significantly, declining starts all were in multi-family units. Apparently, bad weather forestalled the development of some of these projects. This is especially likely, in the mid-west, the region that suffered the largest decline in housing starts and experienced the worst weather. The decline in permits suggests that a significant backlog of permits for multi-family units has already accumulated. Therefore, permits are not expected to grow significantly next month. Nevertheless, tax issues probably will stimulate multi-family construction during the spring, leading to relatively vigorous housing activity.

Weather also is expected to have an impact upon nonresidential construction. With the release of $7 billion for highway improvements, public construction should grow rapidly during the summer and fall. Nonresidential

construction also is expected to continue the rapid rate of expansion that occurred in the second half of 1984. By the end of 1985, however, completions of nuclear facilities will begin to reduce the upward thrust of nonresidential activity.

Business Activity - The greatest surprise during February was in orders for non-defense capital goods, which surged 29.6%. This eliminated the declining backlogs that had developed in the previous four months. Although such a peak in orders is not expected to be sustained, orders now have catapulted so far above shipments that more significant growth in shipments should now be anticipated well into the summer. A decline in defense orders to less than defense shipments is a minor abberation that should have no appreciable significance upon defense shipments in the months ahead. Moreover, a rebound now should be anticipated in defense orders, leading to more rapid growth in durable goods orders in the next few months.

Inventories continue to grow slowly early in 1985 as a result of weather disruptions at production facilities. Desired inventories may now be above current inventory levels. Thus, a spurt in business inventories is expected during the second quarter, leading to relatively vigorous economic expansion at that time.

Prices - The CPI in February rose 0.3% despite further declines in gasoline prices. As several commentators had noted a rise in gasoline prices during February, the BLS results are surprising. Certainly, gasoline prices must rise in the March release. This is the reason why both the CPI and PPI for March are expected to show rapid price increases. It is possible that the PPI may be overstating the March increase in energy prices, but this will merely mean that the large increase in the PPI then will be postponed until April. It is clear that the measured indices will show significant price increases in the next two months.

The price indices are showing small increases, however, for the consumption deflator. The reason for this is the unraveling of the price gains during January that were induced by composition shifts. The composition changes were especially significant for consumer services, where a cold snap required much higher use of utilities than normal. A return to more normal consumption patterns should, therefore, moderate the consumption deflator.

The composition shift in the consumption deflator was one of the contributors to the surprisingly large GNP deflator for the first quarter. As the composition changes will unravel, but will not be revised away, the final GNP deflator for the first quarter is still expected to show a 5.0% rate of increase. We are working more diligently at trying to capture these composition shifts, and hope that we will not be fooled again in our analysis. This is especially important, as our real GNP estimates are derived from the estimated deflator and nonminal expenditures patterns.

Miscellaneous - Merchandise trade balances are expected to be higher than originally projected in our February forecast. Rapid increases in oil imports during March and April will be the major factor causing such high trade deficits. However, the importation of automobiles will be more substantial than the lessening of imported steel products.

Because of the sharp decline in the workweek during February, the leading indicators are not changing in that month. In March, however, a reversal of the

decline in the workweek should add appreciably to the leading indicators. However, plant and equipment orders should decline after their dramatic surge during February.

Our analysis indicates that real GNP fell in February. This has disproportionately distorted the "flash" estimates. When the rebound occurs in March, "flash" estimates will need to be revised upward.

FINANCIAL MARKETS

Problems at some Ohio thrifts have turned the attention of the Federal Reserve from economic policy to financial institution solvency. There is little likelihood that any significant change will occur in Federal Reserve policy until the Ohio crisis is contained. At the same time, slow IRS computers are reducing the near term borrowing needs of the government and distorting the cash positions of households. The impact will be to restrain checkable deposits in March and April, followed by a surge in May. This should be reflected in shifts in monetary growth over that time.

After the Ohio crisis is contained, the Federal Reserve will be looking upon statistics which will reveal some increases in inflationary pressures along with increases in economic activity. The Ohio crisis has temporarily stalled the upward surge in the dollar. Therefore, the Federal Reserve almost certainly will move toward less accommodation of private credit market pressures in the next few months. This means that the federal funds rate will begin to trade above the commercial paper rate. As the commercial paper rate has been moving upward significantly in the past six weeks, this will create a significant increase in short-term interest rates, resulting in upward movements in the prime rate.

Long-term interest rates already are sensing that credit market pressures are stronger than the short-term interest rates reveal. Further upward movements in long-term securities in response to rising short-term rates should not be dramatic. Nevertheless, somewhat less than a percentage point increase in long-term interest rates is expected to develop in the next few months. Economic weakness toward the end of 1985 may begin exerting downward pressures upon interest rates at that time.

Equity Markets - The sluggish performance of the economy during the first quarter had some adverse effects upon profit growth at that time. According to the index of hours worked, productivity did not increase during this period. With long-term interest rates rising, the modest to non-existant gains in operating profits should have a slight adverse effect upon equity values. As interest rates are expected to rise further during the second quarter, further modest weakness is anticipated in equity values for the remainder of this year. Although a market rally during the latter part of the second quarter could propel the stock market to new highs temporarily, it appears that equity markets already may have reached their highs for this year. The good news is that the downward risk in equity ownership appears to be limited. According to our stock market formulas, downward exposure should not cause the market to fall below 1100.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	95154	95157	113.2	113.2	105649	105649	7.3	7.3	161.3	161.3
November	95489	95497	114.0	114.0	105932	105932	7.1	7.1	162.0	162.0
December	95798	95681	114.5	114.6	106273	106273	7.2	7.2	163.0	163.1
January 1985	95936	95993	114.6	114.8	106427	106391	7.4	7.4	163.4	162.8
February	96168	96112	114.8	114.4	106645	106685	7.4	7.3	163.9	163.7
March	96478	96375*	115.0	115.1*	106848	106997*	7.3	7.3*	164.3	163.5*
April	96711	96566	115.4	115.3	107122	107207	7.3	7.3	164.8	163.9
May	96922	96817	115.7	115.6	107583	107480	7.2	7.2	165.3	164.5
June	97100	97150	116.1	115.9	107966	107861	7.1	7.1	165.7	165.1
July	97328	97399	116.3	116.1	108158	108168	7.0	6.9	166.3	165.6
August	97564	97649	116.5	116.3	108346	108442	6.9	6.9	167.0	166.2
September	97827	97899	116.6	116.5	108528	108782	6.9	6.8	167.6	166.8
October	97949	98066	116.8	116.6	108743	108979	6.9	6.8	168.2	167.4
November	98067	98232	116.9	116.7	108936	109178	7.0	6.8	168.7	168.0
December	98185	98401	117.1	116.9	109124	109404	6.9	6.8	169.3	168.6
January 1986	98346	98568	117.2	117.0	109315	109595	6.9	6.8	169.9	169.2
February	98509	98652	117.3	117.1	109489	109646	6.9	6.9	170.8	169.9
March	98678	98735	117.2	117.1	109576	109828	7.0	7.0	171.8	170.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	3.082	3.079	1.831	1.831	178.9	171.6	2.636	2.633	2.458	2.462
November	3.102	3.098	1.845	1.847	169.2	164.9	2.651	2.646	2.482	2.481
December	3.118	3.112	1.863	1.865	150.5	152.5	2.661	2.655	2.511	2.502
January 1985	3.132	3.131	1.870	1.873	150.6	152.3	2.678	2.673	2.528	2.521
February	3.146	3.141	1.881	1.882	159.4	140.3	2.696	2.680	2.537	2.540
March	3.161	3.158*	1.892	1.892*	166.0	139.9*	2.711	2.697*	2.545	2.557*
April	3.175	3.172	1.903	1.902	156.8	133.5	2.719	2.709	2.562	2.576
May	3.189	3.193	1.913	1.914	152.4	133.9	2.730	2.725	2.578	2.591
June	3.204	3.214	1.924	1.927	146.3	139.0	2.741	2.743	2.595	2.604
July	3.224	3.228	1.935	1.936	147.5	132.4	2.757	2.754	2.609	2.621
August	3.245	3.244	1.945	1.946	152.2	134.1	2.774	2.768	2.622	2.634
September	3.265	3.262	1.956	1.957	156.6	135.1	2.791	2.779	2.635	2.644
October	3.280	3.277	1.965	1.965	150.7	131.9	2.800	2.791	2.649	2.659
November	3.296	3.293	1.974	1.974	146.5	129.1	2.812	2.804	2.666	2.675
December	3.311	3.310	1.983	1.984	147.4	127.2	2.831	2.819	2.684	2.692
January 1986	3.322	3.326	1.993	1.995	146.3	129.3	2.844	2.833	2.698	2.704
February	3.340	3.342	2.004	2.004	149.2	127.0	2.864	2.850	2.715	2.723
March	3.359	3.358	2.014	2.014	159.7	132.0	2.883	2.865	2.723	2.733

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	2374.2	2378.1	318.1	318.1	862.6	862.6	1193.5	1197.4	1065.1	1067.0
November	2396.9	2395.9	322.8	324.3	869.1	864.6	1204.9	1206.9	1074.7	1074.3
December	2424.9	2415.5	333.4	336.4	884.5	872.2	1207.1	1206.9	1088.8	1085.0
January 1985	2439.3	2433.7	332.5	334.0	886.3	875.7	1220.5	1223.9	1091.4	1085.9
February	2450.1	2451.9	333.2	334.7	888.5	886.7	1228.4	1230.5	1092.3	1089.2*
March	2457.1	2467.7*	334.0	337.1*	887.4	893.8*	1235.7	1236.8*	1091.6	1092.8
April	2473.1	2486.2	335.8	341.9	893.7	899.9	1243.6	1244.4	1096.7	1098.1
May	2487.8	2500.7	337.5	344.8	897.2	902.9	1253.1	1253.0	1101.8	1103.0
June	2501.9	2512.5	339.2	343.9	900.1	905.0	1262.6	1263.6	1106.1	1104.8
July	2515.5	2528.5	341.6	345.5	904.6	910.3	1269.3	1272.7	1108.6	1108.3
August	2529.4	2540.3	342.5	344.8	909.0	914.0	1277.9	1281.5	1110.4	1109.2
September	2538.8	2549.2	338.9	341.1	913.4	918.2	1286.5	1289.9	1110.6	1108.8
October	2552.9	2563.4	343.7	342.6	915.6	922.3	1293.6	1298.5	1113.3	1111.1
November	2571.5	2578.1	347.8	342.7	920.5	928.1	1303.2	1307.3	1117.1	1113.8
December	2584.7	2593.9	346.5	344.1	925.4	932.9	1312.8	1316.9	1118.4	1116.2
January 1986	2599.4	2604.8	347.2	342.6	930.6	937.8	1321.6	1324.4	1120.4	1116.7
February	2614.9	2622.6	348.5	346.4	936.6	942.4	1329.8	1333.8	1123.7	1120.5
March	2623.9	2632.0	346.2	343.2	939.7	945.4	1338.0	1343.4	1124.2	1119.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	108.73	108.73	15.89	15.89	9.7	9.7	70.32	70.32	22.52	22.52
November	110.90	110.40	16.29	16.17	9.8	9.8	71.61	71.24	23.01	22.99
December	110.82	110.04	16.47	16.29	11.0	11.0	71.88	70.97	22.47	22.79
January 1985	112.24	110.59	16.52	15.90	10.7	11.2	72.43	70.97	23.29	23.72
February	112.50	112.13	16.78	16.15	10.6	10.6	72.61	72.16	23.11	23.82
March	112.51	113.00*	16.73	16.23*	10.6	10.7*	72.52	72.74*	23.26	24.03*
April	113.24	114.08	16.75	16.39	10.8	10.9	73.04	73.25	23.45	24.44
May	113.73	114.66	16.79	16.54	10.9	11.0	73.32	73.48	23.62	24.64
June	114.17	114.72	16.93	16.65	10.8	10.9	73.56	73.65	23.68	24.42
July	114.83	115.34	16.96	16.81	10.8	10.9	73.93	74.08	23.94	24.45
August	115.30	115.56	17.14	16.93	10.7	10.8	74.29	74.38	23.87	24.25
September	115.23	115.45	16.84	16.90	10.7	10.6	74.65	74.72	23.74	23.83
October	115.98	115.97	17.49	17.04	10.6	10.6	74.83	75.06	23.66	23.87
November	116.87	116.45	17.91	17.19	10.5	10.5	75.23	75.53	23.73	23.73
December	117.12	117.01	17.91	17.28	10.4	10.5	75.63	75.92	23.58	23.81
January 1986	117.62	117.23	18.10	17.43	10.3	10.3	76.05	76.32	23.47	23.48
February	118.27	118.06	17.99	17.55	10.4	10.4	76.54	76.69	23.74	23.82
March	118.25	117.92	18.29	17.62	10.1	10.2	76.80	76.94	23.16	23.36

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	1.534	1.564	0.963	0.979	1.418	1.436	318.8	317.9	194.7	194.1
November	1.552	1.600	1.001	1.043	1.591	1.613	322.2	316.4	196.4	192.9
December	1.567	1.630	1.040	1.112	1.588	1.627	326.4	318.4	198.3	193.1
January 1985	1.552	1.841	1.026	1.065	1.508	1.676	323.9	324.9	196.3	196.0
February	1.615	1.638	1.062	1.121	1.493	1.598	326.4	325.1*	197.6	195.5*
March	1.684	1.794*	1.107	1.121*	1.526	1.580*	329.2	331.3	199.0	198.4
April	1.741	1.868	1.139	1.163	1.584	1.663	334.0	337.6	201.2	201.4
May	1.859	1.874	1.163	1.192	1.649	1.692	338.3	341.7	202.9	203.2
June	1.935	1.864	1.187	1.183	1.738	1.647	343.7	350.5	205.3	207.4
July	1.926	1.849	1.195	1.190	1.759	1.645	346.2	354.3	206.1	208.8
August	1.908	1.817	1.203	1.171	1.742	1.629	348.4	355.5	206.6	208.7
September	1.761	1.759	1.178	1.142	1.664	1.603	350.5	355.7	207.3	208.1
October	1.754	1.714	1.143	1.096	1.627	1.582	352.7	355.2	207.5	207.1
November	1.738	1.661	1.103	1.068	1.605	1.543	353.5	354.4	207.0	206.0
December	1.722	1.637	1.072	1.069	1.586	1.526	354.0	353.2	206.2	204.6
January 1986	1.738	1.619	1.095	1.051	1.593	1.483	354.3	353.1	205.5	203.8
February	1.692	1.561	1.098	1.018	1.546	1.392	353.8	353.0	204.4	202.9
March	1.640	1.585	1.056	1.043	1.493	1.419	354.0	352.2	203.6	201.5

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	126.8	126.0	56.9	56.7	135.1	135.2
November	130.7	127.6	56.9	56.2	134.6	132.6
December	132.3	130.8	58.0	56.2	136.0	131.5
January 1985	131.7	134.3	57.2	57.0	135.0	133.6
February	133.0	134.0*	57.8	57.0*	135.6	134.1*
March	134.6	136.3	58.5	58.5	136.1	136.5
April	136.2	137.8	58.5	59.3	139.3	140.5
May	137.9	139.2	58.1	59.9	142.3	142.6
June	139.6	140.5	58.9	60.3	145.2	149.7
July	140.3	141.3	59.0	60.8	146.9	152.2
August	141.2	142.1	59.2	61.2	148.0	152.2
September	142.0	142.8	59.4	61.7	149.1	151.2
October	143.5	143.5	59.9	61.9	149.3	149.8
November	144.7	143.8	60.5	62.3	148.3	148.3
December	145.6	144.3	61.2	62.7	147.2	146.2
January 1986	147.0	145.1	61.2	62.5	146.1	145.5
February	147.7	145.3	61.0	63.1	145.1	144.6
March	148.5	145.8	61.5	63.3	144.0	143.1

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	286.4	286.4	96.07	96.07	25.38	25.38	26.54	26.54
November	285.5	285.8	104.04	104.04	27.13	27.13	27.29	27.29
December	286.4	285.4	101.89	101.99	25.75	26.62	27.76	28.68
January 1985	287.2	284.9	103.19	104.99	26.62	23.14	27.56	25.64
February	288.0	285.2*	105.66	104.74	27.43	29.98	27.71	26.27
March	289.3	286.1	105.92	103.96*	27.78	28.73*	27.87	27.11*
April	290.9	287.0	107.16	104.28	27.95	28.21	27.73	27.43
May	292.2	288.4	108.05	105.42	28.04	28.76	27.66	27.72
June	294.2	290.3	107.65	107.11	27.75	29.15	27.58	28.05
July	296.3	292.4	107.21	107.44	27.53	29.27	27.46	28.21
August	298.2	294.5	105.93	107.69	27.26	29.23	27.48	28.37
September	300.3	296.6	105.88	107.22	27.46	28.96	27.45	28.63
October	301.6	298.7	104.29	106.86	26.89	28.81	27.26	28.72
November	303.9	300.5	105.08	106.59	26.98	28.73	27.30	28.89
December	306.5	302.6	108.35	106.84	27.53	28.56	27.35	28.74
January 1986	308.3	305.0	108.52	107.29	27.38	28.71	27.36	28.70
February	310.1	307.1	108.95	107.02	27.26	28.14	27.33	28.29
March	312.2	309.3	108.16	106.91	27.05	27.93	27.35	28.11

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	563.8	563.8	6.35	6.35	164.5	164.4	81.5	81.4
November	564.2	565.0	6.28	6.28	165.2	164.8	81.6	81.4
December	566.4	566.5	6.43	6.62	166.2	165.0	81.9	81.3
January 1985	565.8	568.4	6.58	6.52	167.2	165.5	82.2	81.4
February	569.2	569.6*	6.71	6.79	168.1	164.7	82.4	80.7
March	573.2	571.9	6.85	6.83*	169.0	165.5*	82.7	81.0*
April	575.9	574.8	6.93	6.92	169.6	165.6	82.8	80.9
May	579.3	578.3	6.99	6.99	170.3	166.2	83.0	81.1
June	582.0	582.3	6.96	7.16	171.0	167.0	83.2	81.3
July	585.4	586.4	7.11	7.22	171.3	167.3	83.2	81.3
August	588.8	590.6	7.24	7.30	171.5	167.5	83.1	81.2
September	592.9	594.7	7.37	7.49	171.3	167.9	82.9	81.2
October	595.7	598.3	7.45	7.45	171.0	167.7	82.6	81.0
November	599.3	600.1	7.53	7.61	170.7	167.6	82.3	80.8
December	603.6	603.1	7.48	7.70	170.4	167.9	81.9	80.8
January 1986	607.5	606.7	7.69	7.78	170.4	168.1	81.6	80.7
February	610.1	611.0	7.83	7.84	169.8	168.2	81.3	80.6
March	613.3	615.2	7.98	8.05	169.5	168.0	81.0	80.4

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are expectations.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	314.6	314.6	290.9	290.9	323.2	323.2	225.60	225.75
November	315.3	315.3	292.4	292.4	323.8	323.8	225.95	226.25
December	315.8	315.9	292.7	292.6	323.0	323.0	226.16	226.30
January 1985	316.4	316.5	292.1	292.6	322.3	322.3	226.93	227.96
February	317.1	317.5	292.7	292.1	322.8	321.7	227.81	228.98
March	317.8	319.1*	293.2	293.9*	323.2	323.3*	228.66	229.63
April	318.8	320.0	293.5	294.7	324.0	324.3	229.11	230.19
May	319.9	320.7	294.1	295.1	324.0	324.4	229.38	230.51
June	320.8	321.3	294.7	295.3	324.9	325.0	229.74	231.12
July	321.7	322.3	295.3	296.0	326.1	325.8	230.58	231.85
August	322.9	323.4	295.7	296.6	327.8	326.5	231.59	232.76
September	323.8	324.2	296.4	296.5	328.0	326.7	232.61	233.67
October	325.1	325.3	296.9	297.8	329.6	329.2	233.42	234.54
November	326.5	326.2	297.5	298.5	329.9	329.5	234.17	235.37
December	327.9	327.5	298.3	299.5	329.9	330.1	234.92	236.36
January 1986	329.1	328.8	299.0	300.6	331.1	331.3	235.84	237.28
February	330.4	329.9	299.9	301.6	332.5	332.6	236.78	238.18
March	331.7	331.4	301.0	302.3	333.9	334.0	237.75	239.25

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	222.9	222.9	178.4	178.4	219.6	219.8	241.4	241.3	163.7	163.7
November	223.0	223.0	178.4	178.5	219.2	219.2	242.3	242.3	164.1	164.0
December	222.9	222.6	178.4	178.2	219.2	219.0	242.7	242.4	164.6	164.9
January 1985	223.5	224.1	179.0	178.8	219.0	220.2	243.6	244.1	165.0	165.8
February	224.3	225.1*	179.3	179.3*	219.4	221.5*	244.8	245.0*	165.2	166.3*
March	225.1	225.8	179.4	179.9	219.9	222.1	245.9	245.9	165.4	167.0
April	225.5	226.4	179.7	180.0	220.3	222.8	246.8	246.8	166.0	167.6
May	225.8	226.7	179.8	180.2	220.0	222.6	247.5	247.6	166.7	168.2
June	226.2	227.4	179.7	180.5	220.1	223.0	248.2	248.5	167.4	169.0
July	226.9	228.1	180.1	180.8	220.8	223.5	249.3	249.6	168.0	169.7
August	227.8	229.0	180.7	181.1	221.3	224.2	250.4	250.7	168.6	170.3
September	228.6	229.9	181.3	181.4	221.9	224.9	251.6	251.7	169.1	170.9
October	229.3	230.7	182.0	181.8	222.7	225.5	252.4	252.8	170.0	171.5
November	230.2	231.5	181.5	182.3	223.6	226.1	253.3	253.7	170.8	172.0
December	231.1	232.4	181.5	182.6	224.5	226.9	254.2	254.9	171.7	172.6
January 1986	232.0	233.3	182.1	182.9	225.1	227.6	255.4	256.0	172.4	173.3
February	232.7	234.1	182.8	183.4	225.8	228.3	256.6	257.1	173.1	174.0
March	233.4	235.1	183.5	183.9	226.5	229.0	257.8	258.2	173.9	174.8

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	-8.37	-9.18	164.5	164.0	3721	3724	1649	1650	1.5	0.8
November	-8.94	-9.94	166.6	164.8	3753	3763	1661	1663	1.0	0.6
December	-6.24	-8.20	167.1	163.9	3784	3790	1673	1675	3.2	4.0
January 1985	-7.96	-10.29	168.5	166.7	3812	3823	1680	1677	0.3	2.3
February	-8.83	-11.68*	169.8	166.7*	3832	3830	1682	1673	-1.6	1.4
March	-9.69	-11.93	169.9	167.4	3857	3863	1687	1682	-0.7	4.8
April	-9.18	-12.15	170.8	168.0	3883	3887	1695	1689	2.7	6.6
May	-8.73	-11.94	171.8	168.2	3903	3910	1702	1696	5.8	4.3
June	-9.47	-12.11	172.1	168.0	3924	3934	1708	1702	6.8	3.7
July	-9.56	-11.83	171.7	168.6	3947	3956	1712	1706	9.2	5.8
August	-9.78	-11.99	171.3	169.5	3969	3975	1714	1708	10.6	7.9
September	-9.89	-11.46	171.4	169.3	3992	3993	1716	1709	11.9	9.3
October	-9.93	-11.29	170.8	169.6	4009	4012	1718	1711	10.9	11.6
November	-9.74	-11.52	171.3	169.3	4030	4031	1727	1713	10.3	10.9
December	-9.30	-11.17	172.9	170.2	4052	4049	1725	1713	10.5	11.3
January 1986	-9.59	-10.46	173.2	170.3	4074	4070	1727	1715	11.6	11.8
February	-9.68	-10.44	173.0	170.0	4093	4094	1729	1719	12.2	12.2
March	-9.78	-10.67	172.6	169.4	4112	4113	1730	1719	12.8	12.7

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	214.4	214.7	545.5	548.3	2317.4	2318.7	9.99	9.99	9.87	9.87
November	216.1	216.1	549.3	553.8	2346.1	2345.7	9.43	9.43	8.81	8.81
December	217.3	217.4	553.9	558.5	2375.3	2371.4	8.38	8.38	8.28	8.28
January 1985	219.0	218.4	557.2	562.7	2393.8	2398.3	8.35	8.35	8.05	8.00
February	220.0	219.6*	562.8	569.3	2412.6	2419.3	8.56	8.50	8.43	8.39
March	221.1	222.1	568.3	571.6*	2431.2	2436.2*	9.07	8.67*	8.82	8.93*
April	222.8	221.9	571.7	574.7	2450.8	2453.3	9.23	8.93	9.03	9.26
May	224.5	223.7	573.6	581.6	2467.4	2477.8	9.20	9.28	8.86	9.38
June	226.1	225.3	575.5	583.5	2484.0	2492.7	9.21	9.67	8.98	9.55
July	227.0	226.5	579.8	585.1	2499.3	2507.7	9.58	10.15	9.27	9.96
August	227.9	227.7	583.2	588.1	2519.4	2527.8	9.96	10.28	9.76	10.03
September	228.8	229.0	587.6	590.8	2539.6	2545.5	9.92	10.22	9.89	9.97
October	230.2	229.9	590.7	593.6	2555.2	2565.9	9.99	10.06	9.72	9.94
November	231.6	230.8	593.6	596.6	2573.5	2583.9	9.95	9.88	9.68	9.73
December	233.0	232.1	596.4	599.5	2592.1	2604.6	9.91	9.72	9.63	9.65
January 1986	234.0	233.4	599.1	602.6	2606.5	2623.4	9.78	9.53	9.49	9.27
February	235.1	234.5	601.4	604.5	2618.4	2639.1	9.63	9.51	9.23	9.22
March	235.9	235.5	602.8	606.4	2630.9	2654.9	9.47	9.39	9.16	9.15

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1984	12.63	12.63	10.25	10.25	10.12	10.12	10.38	10.38	12.58	12.58
November	12.29	12.29	10.17	10.17	9.03	9.03	9.18	9.18	11.77	11.77
December	12.13	12.13	9.95	9.95	8.44	8.44	8.60	8.60	11.06	11.06
January 1985	12.08	12.08	9.51	9.42	8.02	8.03	8.20	8.14	10.50	10.62
February	11.83	12.13	9.21	9.53*	8.43	8.54	8.65	8.69	10.50	10.50
March	11.91	12.62*	9.29	9.78	9.16	8.98*	9.32	9.17*	10.50	10.50*
April	12.06	12.74	9.47	9.92	9.25	9.24	9.46	9.44	10.93	10.78
May	12.17	12.93	9.58	10.12	9.16	9.39	9.29	9.56	11.12	11.00
June	12.29	13.07	9.69	10.27	9.20	9.68	9.43	9.89	11.25	11.33
July	12.35	13.11	9.76	10.29	9.53	9.93	9.77	10.15	11.38	11.67
August	12.32	13.22	9.73	10.43	9.85	10.15	10.08	10.42	11.75	12.00
September	12.40	13.15	9.81	10.32	9.93	10.19	10.21	10.56	11.75	12.00
October	12.46	13.01	9.97	10.17	9.96	10.02	10.25	10.36	11.75	12.00
November	12.52	12.85	10.04	10.02	9.98	9.79	10.28	10.05	11.75	11.79
December	12.49	12.66	9.99	9.85	9.98	9.65	10.25	9.94	11.75	11.75
January 1986	12.36	12.43	9.86	9.70	9.84	9.48	10.09	9.79	11.75	11.62
February	12.26	12.40	9.69	9.65	9.76	9.43	9.96	9.75	11.75	11.50
March	12.31	12.36	9.70	9.58	9.57	9.36	9.73	9.68	11.75	11.50

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.